FOURTH STREET PERFORMANCE PARTNERS

Independent Investment Consultants

January 2015: Market Review

Global equity markets were weak in January, as the strengthening dollar hurt the incomes of U.S.-based, multinational corporations and the European Central Bank unveiled a new stimulus plan. The Dow Jones Industrial Average fell (3.58%) during the month. The S&P 500 Index lost (3.00%) to open the year.

In U.S. economic news, the first reading of fourth quarter 2014 real gross domestic product showed annualized growth of 2.6%, lower than economists' estimates of 3.3%. However, for the year, GDP grew at a 2.4% rate, the best growth in four years. The U.S. Federal Reserve said in its January meeting that it will be "patient" in raising short-term interest rates, indicating that June will likely be the earliest it will consider an increase. The most recent S&P/Case-Shiller Home Price Index report showed that on a month-over-month basis, home prices rose 0.7% in November, while on a year-over-year basis, prices were 4.3% higher than a year ago. Among commodities, oil prices continued to decline, as barrels of WTI crude oil ended the month at $48, down from $53 in December. Gold closed at $1279 per troy ounce, up from $1184 the previous month.

Growth-style equities outperformed value-style equities across all capitalizations in January. Among large cap stocks, the Russell 1000 Value Index dropped (4.00%) during the month, while the Russell 1000 Growth Index was down (1.53%). In small cap stocks, the Russell 2000 Value Index fell (4.16%), while the Russell 2000 Growth Index lost (2.28%). Energy companies, which make up a larger portion of the value indexes, struggled during the month as oil prices fell. The Russell Midcap Index closed the month with a loss of (1.56%).

International equity markets were modestly up in January. The MSCI EAFE Index ended January up 0.49%. The MSCI Europe Index was flat for the month, even after the European Central Bank announced it will begin buying €60 billion in eurozone government bonds per month to stimulate struggling economies. The MSCI Pacific Index added 1.48%. The MSCI Emerging Markets Index gained 0.60% in January, despite a downgrade in Russia's credit quality and a drop of nearly 30% in Greece's equity markets after elections there were won by an anti-austerity party, raising fears that Greece might be forced to exit the European Union.

In U.S. fixed income markets, the yield on the 10-Year Treasury closed January at 1.68%, down from 2.17% at the end of 2014. The Barclays U.S. Aggregate Bond Index added 2.10% in January. The Barclays U.S. Treasury Index was up 2.59% during the month. The Barclays Treasury 20+ Year Index gained 9.29% in January, after gaining 27.48% in 2014. The Barclays Corporate High Yield Index closed the month up 0.66%.

January's equity market performance often serves as a barometer for the rest of the year. Markets may continue to be challenged by a variety of factors, such as relatively high equity valuations, volatile oil prices, and deflationary pressures worldwide.